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Die indische Währungsreform. By OTTO HEYN. Berlin, J. Guttentag, 1903.—ix, 375 pp.

Die indische Währungsreform seit 1893. By M. BOTHE. Stuttgart and Berlin, J. G. Cotta's Nachfolger, 1904.—xii, 291 pp.

For the student of monetary science there is perhaps no more illuminating chapter in monetary history than the experience of India during the last decade of the nineteenth century. These two monographs are carefully prepared and critical studies of this experience.

The first is by a well-known writer on currency problems, author of the *Theorie des wirtschaftlichen Werts* (Berlin, 1899). It was written under the auspices of the Verein zum Schutz der deutschen Goldwährung.

The first chapter is devoted to a brief historical survey, covering the period 1835–1899, and to a description of Indian Council bills and their workings. This description of one of the most important factors in the Indian currency system is the best the reviewer has seen.

The second chapter contains a brief examination of the causes leading to the reform and of the various plans of reform suggested and a description of the plan adopted. Among the causes leading to the reform are discussed: the growing financial burdens of the Indian government, arising from its heavy fixed charges payable in gold at a time when the gold value of the silver rupee was rapidly declining; the impediments to trade with gold-standard countries caused by a widely fluctuating exchange; and the losses and inconveniences experienced by British officials and employees whose salaries were paid in rupees and were then transferred in part to the home land at a low and falling exchange. A very brief and inadequate examination is given to the Probyn and Lindsay schemes for securing a gold standard without gold coin in circulation. The latter of these has since been introduced with success in the Philippines, and has been followed recently to a considerable extent in India itself.

The author's argument (pages 57–59) to prove that, although by a contraction of the currency a fall in prices of commodities may be brought about, through restrictions of credit, liquidations and bankruptcies, the value of the local unit in terms of gold or in terms of foreign monetary units can not be increased by any such means, is inconclusive. It is also contradictory to the recent experiences of the Straits Settlement and, as the reviewer believes, to those of India itself. When the unit of value in a country appreciates or depreciates, the

prices of different classes of things are affected very unevenly, as Dr. Heyn elsewhere points out. There are, moreover, so many other factors influencing the price of commodities that it is impossible to measure accurately the influence of changes in the value of the money unit *per se*. This applies to variations in the price of gold and in the gold exchanges. If however prices of non-exported products fall in India while gold prices of Indian exports remain constant abroad, and if London exchange fails to rise, the increased relative profits realizable on export trade and the diminished profits on import trade would soon so stimulate the one and handicap the other as to bring about an adjustment of the exchange rate and of the price of gold to the new price level. The contention (page 59) that relative contraction did not effect the advance in exchange, and that it was entirely superfluous, is an example of the attitude of many disbelievers in the quantity theory, who make labored arguments to explain by indirect causes changes in the value of money which might readily be explained by the application to money of the law of demand and supply which they apply to everything else.

The fourth chapter, treating of the economic significance of the reform for India, and comprising half of the monograph, is clearly the most valuable. Here the author discusses such topics as the influence of the reform on the finances of the government of India; its results for the capital market, particularly with reference to the investment of foreign capital in India and to the rate of interest; its influence upon prices, wages and the importation of silver; the depreciation of hoards; and the cost of carrying through the reform. The most important topic of the chapter is the influence of the reform upon India's foreign trade. The export trade and the import trade are considered separately, both for gold-standard countries and for silver-standard countries, and in each case for certain important commodities. In general, the author concludes (page 109) that "for Indian producers, the currency reform has proven a very serious disadvantage. The export trade has been handicapped, the import trade encouraged, and the competing power (*Konkurrenzfähigkeit*) of Indian producers weakened in all markets as compared with the producers of other countries." At the same time, the trade in different commodities has been affected very differently, and each important commodity must be studied by itself. "The effect", he says,

is a continuing one. A fall in exchange works like a continued export bounty or a continued protective tariff, and a rise in exchange works in the

opposite way. The ruling opinion that the effect is only a temporary one, since in the course of time all prices and wages must conform to the depreciated or appreciated unit of value is . . . false. It is only correct to say that in the course of time an adjustment to the changed relations takes place, exactly as it would have taken place if effective export bounties had been paid and effective protective duties introduced, or if previous export bounties and import duties had been raised [page 110].

While undoubtedly any considerable alteration in the unit of value has some permanent results¹ in the alteration of the prices of commodities relative to each other and in "real wages," Dr. Heyn's analogy in comparing the results with those of export bounties or protective duties seems to the reviewer to be of doubtful validity.

In the sixth chapter Dr. Heyn briefly considers the equities of the Indian currency reform. He believes that in the public interest the government was justified in closing the mints and in fixing the gold value of the rupee, without making specific provisions for the adjustment of preëxisting debts, but that it was not justified in raising the value of the rupee to 16*d.* when a unit of 15*d.* would have been clearly more equitable and less disturbing to preëxisting contracts and to established business relations.

The last chapter considers the significance for Europe of the Indian currency reform, and gives a well-balanced treatment of its results for European import and export trade, for the European money market and for the silver market.

Again and again throughout the work Dr. Heyn emphasizes the inadequacy of India's gold reserve, and he draws vivid pictures of the great calamity that may befall India if the reserve is not greatly strengthened (pages 62-69 and 85-88). He believes that the reserve should be doubled and that money should be borrowed for the purpose (page 88). Since the book was written (1903) the gold reserve has been greatly increased through the presentation of gold for rupees in response to the growth of trade, and very recently (1907-08) the Indian currency system has successfully met a very heavy strain² upon its gold reserve.

Dr. Bothe's dissertation is intended to supplement the monograph by Karl Ellstättter on *Die indische Silberwährung*, which appeared in the same series. The data used are drawn almost exclusively from the official reports of the Indian and the English governments, and the

¹ Cf. Kemmerer, *Money and Prices* (second ed.), pp. 51, 52.

² Cf. *Gazette of India*, Extraordinary, March 22, 1909.

treatment takes the form of a critical—one might almost say hypercritical—historical narrative.

An introductory chapter of 50 pages is devoted to an excellent historical sketch of the economic, financial and monetary conditions in India preceding, and leading to, the closing of the Indian mints on June 26, 1893. Particular attention is given to the financial difficulties of the Indian government resulting from the declining and fluctuating gold value of silver—difficulties which were primarily responsible for the Indian currency reform. The author shows how the burdens imposed upon India's finances were continually increasing, how difficult it was to increase local taxes, how proposals for increases in the revenue tariff were complicated by the opposition of special interests in the home land, particularly the cotton-manufacturing interests (pages 37, 38), and how the expected repeal of the Sherman silver-purchase act in the United States was threatening an even greater depreciation in the gold value of the rupee. The plan adopted by the administration for fixing exchange is then briefly considered.

Chapter 1, following the introduction, is the longest (113 pages) and best chapter of the monograph. It deals with the transitional period from the closing of the mints to the constitution of the Indian Currency Committee of 1898, during which time the rupee was changed from a silver-standard coin of a varying gold value to a gold-standard coin with a gold par of 16*l*. The difficulties and hardships of this transitional period are vividly pictured, *e. g.*, the failure of the government to establish a 16*l*. par in 1893; the decline in sterling exchange during the first two years of the period; the lack of confidence in the reform, both in England and in India, and consequent inhibitions upon the flow of capital to India; the disrupting of the exchange parity with silver-standard countries, unaccompanied by the attainment of such a parity with gold-standard countries, and the consequent appearance of greater fluctuations and greater uncertainty in exchange than had existed even under the preceding silver standard; the strained money market of the years 1896-98; the poor harvest of 1896; the plague in Bombay; the severe famine of 1897, and the great hardships resulting during the famine from the inability of the natives to secure from the mints rupees for their silver ornaments at the former rate of 165 grains of silver (plus a small coinage charge) to the rupee. These phenomena are all described clearly and with much detail.

The hardships of this transitional period kept alive the agitation for a return to the silver standard; and throughout the period many persisted in the hope that something might still be accomplished in the

way of international bimetallism. England's attitude, however, toward joining in any international agreement and the failure of the Wolcott Commission of 1897 killed this hope. The 16*d.* gold par was not reached until January 12, 1898; but on September 16, 1897, the Indian government took a positive stand against reopening the mints (pages 137-142).

The second chapter is devoted to a critical account of the work of the Fowler Currency Committee of 1898, of the various plans proposed and of the arguments advanced in their support. The result of the committee's work, which was the act of September 15, 1899, made no important changes in the situation. In the third chapter are discussed the workings of this act and the developments with reference to currency and banking matters in India down to 1904.

The monograph ends with a brief chapter summarizing the author's conclusions. He believes that the reform would have been effected promptly and economically had the Indian government floated a loan of £10,000,000, before the closing of the mints in 1893, and used the proceeds to form a gold reserve, in much the same manner as the Philippine government has since done; and he believes that a gold par of 15*d.* if adopted in 1893 would have been much more equitable than that of 16*d.*

The plans adopted, he says, as well as the most favored of the discarded plans, such as the Lindsay plan and the Probyn plan, were based upon the Ricardian quantity theory of money, and their defects he attributes largely to the fallacy of the quantity theory. He gives that theory a narrower interpretation than would its present-day adherents, and he is certain that because of their "false theoretical views" the Indian administration, at least for the time being, would neglect to take energetic measures with promptness in case of emergency (page 279) —a prophecy which subsequent experience (in 1907 and 1908) does not seem to have substantiated.

Dr. Bothe's contention that gold was the measure of value in India from 1893 to 1899, like the assertion occasionally made in this country that gold was the measure of value during the greenback period (1862-79), appears to the reviewer untenable. The author says:

Wertmesser kann nur ein Stoff sein, der die Eigenschaft des zu messenden Stoffes hat, dem Wert beigelegt wird, und zwar muss dieses Werturteil auf der Meinung von stofflichen Eigenschaften des als Wertmesser dienenden Stoffes beruhen. Die Rupie bekam nun nach 1893 einen höheren Wert als den ihres Stoffes, folglich konnte dieser Stoff nicht mehr Wertmesser sein, sondern derjenige Stoff wurde Wertmesser, in dem der jeweilige Grad

der Werterhöhung der Rupie über ihren Metallwert gemessen wurde, d. h. das Gold [page 207].

The rupee had value between 1893 and 1899 not because of the government's declaration of a provisional 16*d.* par, nor because people in gold-standard countries or from gold-standard countries were in the habit of measuring its value in terms of gold. Doubtless people in silver-standard countries measured its value in terms of silver, as that value found expression in the silver exchanges. It had value for the same reason that everything else has value, namely, because of the law of demand and supply. The rupee was the common medium of exchange by which nearly all transactions were effected and in which prices were expressed, and in being so it was *ipso facto* the measure of value.

All in all, Dr. Bothe's book is a good critical history of the Indian currency reform and well worth careful study.

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Die Fugger in Rom, 1495-1523. Mit Studien zur Geschichte des kirchlichen Finanzwesens jener Zeit. By ALOYS SCHULTE. Leipzig, Duncker and Humblot, 1904. Two volumes: xii, 308, 234 pp.

The reviewer must make apology for so tardy a notice of an important work. The author, however, can certainly not be accused of dilatoriness. On the contrary, he has shown extraordinary energy, almost feverish haste, in the collection of materials and in the writing of his book. In his *Geschichte des mittelalterlichen Handels und Verkehrs zwischen Westdeutschland und Italien* he had remarked that the Roman archives would some day throw new light on the activity of the great banking firm of the Fuggers; and it was his intention to incorporate in a second edition of that work some information from Roman sources on this subject. But his collection of notes became so voluminous, and some of his discoveries seemed of such importance, that he decided to publish at once the present two volumes. Between November, 1902, and February, 1904, despite his duties as head of the German Institute at Rome and the interruption caused by his entrance upon a professorship at Bonn and by various journeys, he had searched through the hundreds of manuscript volumes in the Vatican library enumerated in appendix i, he had spent some hurried hours in the Roman state archives, and he had examined fifteen German